

Basics for Corruption Reduction and Fraud Prevention in Industrial/Humanitarian Organizations through Supplier Management in Supply Chain Systems

Authors : Ibrahim Burki

Abstract : Unfortunately, all organizations (Industrial and Humanitarian/ Non-governmental organizations) are prone to fraud and corruption in their supply chain management routines. The reputational and financial fallout can be disastrous. With the growing number of companies using suppliers based in the local market has certainly increased the threat of fraud as well as corruption. There are various potential threats like, poor or non-existent record keeping, purchasing of lower quality goods at higher price, excessive entertainment of staff by suppliers, deviations in communications between procurement staff and suppliers, such as calls or text messaging to mobile phones, staff demanding extended periods of notice before they allow an audit to take place, inexperienced buyers and more. But despite all the above-mentioned threats, this research paper emphasize upon the effectiveness of well-maintained vendor/s records and sorting/filtration of vendor/s to cut down the possible threats of corruption and fraud. This exercise is applied in a humanitarian organization of Pakistan but it is applicable to whole South Asia region due to the similarity of culture and contexts. In that firm, there were more than 550 (five hundred and fifty) registered vendors. As during the disasters or emergency phases requirements are met on urgent basis thus, providing golden opportunities for the fake companies or for the brother/sister companies of the already registered companies to be involved in the tendering process without declaration or even under some different (new) company's name. Therefore, a list of required documents (along with checklist) was developed and sent to all of the vendor(s) in the current database and based upon the receipt of the requested documents vendors were sorted out. Furthermore, these vendors were divided into active (meeting the entire set criterion) and non-active groups. This initial filtration stage allowed the firm to continue its work without a complete shutdown that is only vendors falling in the active group shall be allowed to participate in the tenders by the time whole process is completed. Likewise only those companies or firms meeting the set criterion (active category) shall be allowed to get registered in the future along with a dedicated filing system (soft and hard shall be maintained), and all of the companies/firms in the active group shall be physically verified (visited) by the Committee comprising of senior members of at least Finance department, Supply Chain (other than procurement) and Security department.

Keywords : corruption reduction, fraud prevention, supplier management, industrial/humanitarian organizations

Conference Title : ICSRD 2020 : International Conference on Scientific Research and Development

Conference Location : Chicago, United States

Conference Dates : December 12-13, 2020